



Chicago Teachers' Pension Fund

125TH
Popular Annual
Financial Report

2020

For the years ended June 30, 2020 and 2019



MESSAGE

At CTPF, we have remained FLEXIBLE and DEDICATED to MEETING THE NEEDS OF MEMBERS and each other.



Each year, CTPF documents its financial position in the form of a *Comprehensive Annual Financial Report* (CAFR), which includes audited financial statements and a complete financial picture of CTPF. This *Popular Annual Financial Report* (PAFR) summarizes the major activities for the fiscal year ended June 30, 2020, our 125th continuous year of operation, as reported in the CAFR, and provides insights into the history of CTPF's pension funding, our commitment to diversity, and our member demographics.

Jeffery Blackwell

Jeffery Blackwell
President of the Board of Trustees
and Interim Executive Director

2020 CAFR HIGHLIGHTS

The *Popular Annual Financial Report* (PAFR) summarizes the 125th *Comprehensive Annual Financial Report* (CAFR) of the Public School Teachers' Pension and Retirement Fund of Chicago (CTPF) for the fiscal year ended June 30, 2020, offering a snapshot of CTPF and its operations for the fiscal year. The full 2020 *Comprehensive Annual Financial Report* is available at www.ctpf.org.

FINANCIAL

In Fiscal Year 2020, CTPF paid members \$1.5 billion in service retirement, disability, refunds, and survivor benefits, and an additional \$51.4 million for health care benefits. CTPF received total contributions of \$1,050.6 million from the tax levy, employee contributions, the employer, and other sources, and realized \$483.8 million in net investment income.

Years of underfunding have taken their toll, and the funded ratio for pension benefits, based on the market value of assets, decreased to 45.4% as of June 30, 2020, from 47.5% at the end of the previous year. See the Financial section of the CAFR (*page 18*), for more detailed information on the:

- Independent Auditor's Report
- Statement of Fiduciary Net Position
- Schedule of Changes in Employer's Net Pension Liability
- Schedule of Employer's Contribution
- Actuarial Methods and Assumptions

INVESTMENTS

The Fund returned 4.5% (*time-weighted return*) in Fiscal Year 2020. However, the Fund is a long-term investor, and results are more significant over longer periods. The increase in value across investment classes in previous years brought the Fund's compounded rate of return over the past 10 years to 9.1%. This is higher than the actuarial assumption of 6.75%. See the Investments section of the CAFR (*page 65*) for the following detailed reports and summaries:

- Master Custodian Reports
- Investment Consultant Reports
- Total Annual Fund Rate of Return
- Investment Portfolio Summary
- Broker Commission Reports

ACTUARIAL

Every year, an actuarial valuation is performed to determine the amount of required contributions from the Board of Education and the State of Illinois in accordance with the Illinois Compiled Statutes (Public Act 89-15). CTPF employed Gabriel, Roeder, Smith & Company to produce the 2020 actuarial valuation. The fiscal year 2021 Board of Education and State of Illinois required contributions are \$619.0 million and

\$266.9 million, respectively, for a total of \$885.9 million. In accordance with Public Acts 099-0521 and 100-0465, portions of the Board of Education's required contribution are expected to be paid from the property tax levy, other Board of Education revenues, and the State of Illinois. The Actuarial section of the CAFR (*page 91*), includes the following detailed information:

- Summary of the Actuarial Valuation
- Actuarial Determinations and Projections
- Fund Assets
- Participant Data
- Actuarial Methods and Assumptions

STATISTICAL

The Statistical section includes 10-year historical financial information and statistical information about participating members, annuitants, and the benefits paid to them. See the Statistical section of the CAFR (*page 141*) for the following additional detailed information:

- Statement of Changes in Fiduciary Net Position
- Distribution of Current Annuitants by Benefit Type
- Schedule of Average Benefit Payments
- Number of Active Member



FY20 REVIEW



FINANCIAL REVIEW

CTPF's two basic financial statements are the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position. The Statement of Fiduciary Net Position is a measure of CTPF's assets and liabilities at the close of the fiscal year. Total assets less liabilities equals net position restricted for benefits. Fiduciary net position was \$11.0 billion in 2020, from \$11.0 billion at June 30, 2019.

The Statement of Changes in Fiduciary Net Position shows revenues (additions) and expenses (deductions) for the fiscal year. The net increase (or decrease) is the change in net assets available for benefits since the end of the previous fiscal year. Additions to fiduciary net position, which are needed to finance statutory benefit obligations, come from public sources such as state appropriations, employer and employee contributions, net earnings on investments, and miscellaneous sources. For the year ended June 30, 2020, total additions totaled \$1.5 billion compared to \$1.5 billion at June 30, 2019.

CONDENSED STATEMENT OF FIDUCIARY NET POSITION*

As of June 30, 2020, with comparative totals for 2019

	2020	2019
Cash and cash equivalents	\$ 60,193,099	\$ 121,996,481
Receivables	384,480,213	455,272,368
Investments, at fair value	10,730,889,443	10,715,911,778
Securities lending collateral	686,855,566	560,663,605
Capital assets, net of accumulated depreciation	1,922,247	705,360
Prepaid expense	612,250	324,753
Total assets	11,864,952,818	11,854,874,345
Total liabilities	927,890,797	816,036,886
Net position restricted for benefits	\$ 10,937,062,021	\$ 11,038,837,459

CONDENSED STATEMENT OF CHANGES IN FIDUCIARY NET POSITION*

For the year ended June 30, 2020, with comparative totals for 2019

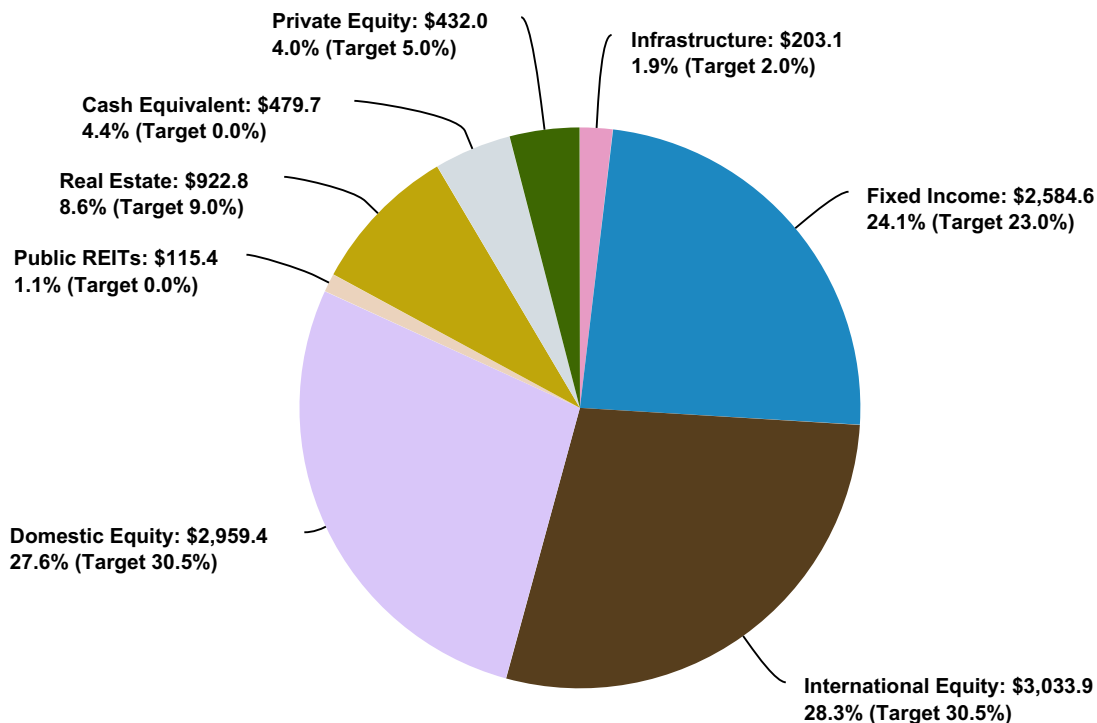
	2020	2019
Contributions	\$ 1,050,597,115	\$ 999,135,220
Investment income	438,812,350	513,576,400
Interest on late required contribution payments	1,166,174	1,449,709
Miscellaneous	334,222	238,261
Total additions	1,490,909,861	1,514,399,590
Pension benefits	1,499,920,081	1,467,513,811
Refunds	19,522,894	24,133,854
2.2 Legislative refunds	673,391	562,230
Refund of insurance premiums	51,433,976	58,611,532
Death benefits	2,759,158	3,406,487
Administrative and miscellaneous expenses	18,375,799	26,099,731
Total deductions	1,592,685,299	1,580,327,645
Net increase (decrease)	(101,775,438)	(65,928,055)
Net assets held in trust for benefits:		
Beginning of year	11,038,837,459	11,104,765,514
End of year	\$ 10,937,062,021	\$ 11,038,837,459

* Readers can find complete financial statements on pages 30 and 31 of the *Comprehensive Annual Financial Report*, available at ctpf.org.

INVESTMENT REVIEW

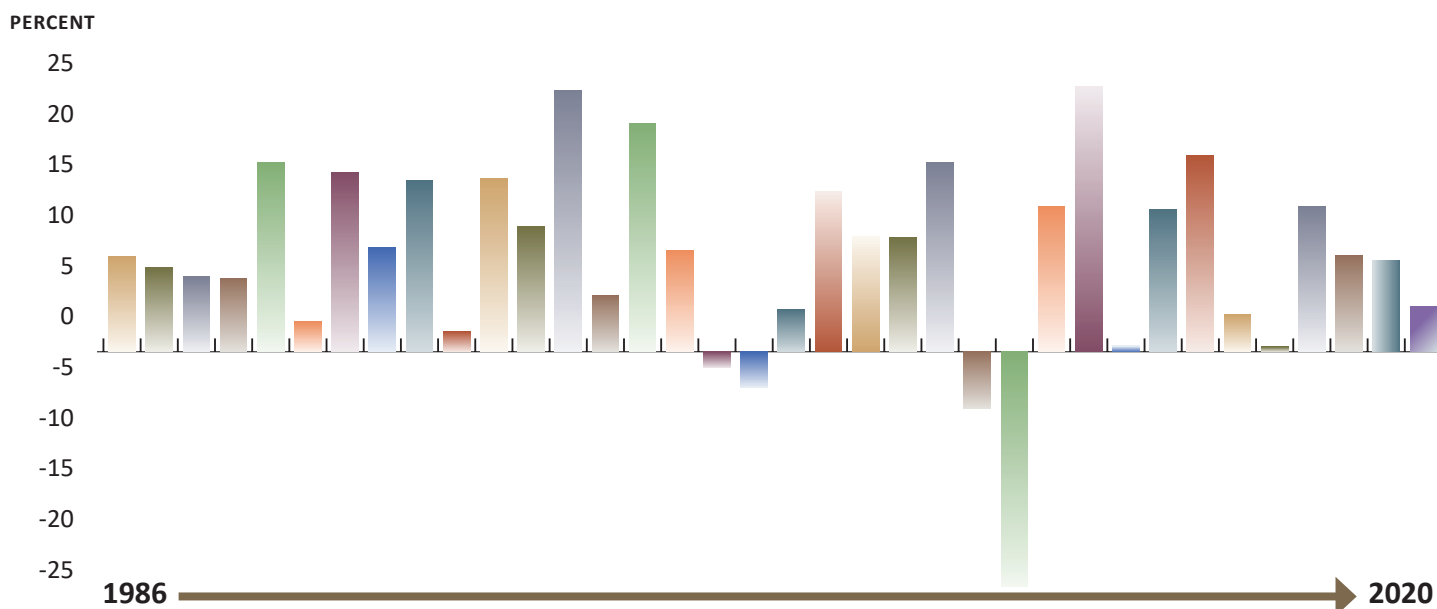
CTPF's investment rate of return for Fiscal Year 2020 was 4.5%. CTPF maintained a diversified portfolio consisting of equities (*domestic and international*), fixed income, real assets, and infrastructure. CTPF continued to attempt to maximize investment performance while maintaining acceptable levels of risk.

ASSET ALLOCATION SUMMARY AS OF JUNE 30, 2020 | IN MILLIONS OF DOLLARS



*Note: Percentage indicates actual category weight as a percentage of the entire portfolio.

CTPF ANNUALIZED RATE OF RETURN 1986-2020 | 35-YEAR COMPOUND ANNUAL GROWTH RATE 8.42%

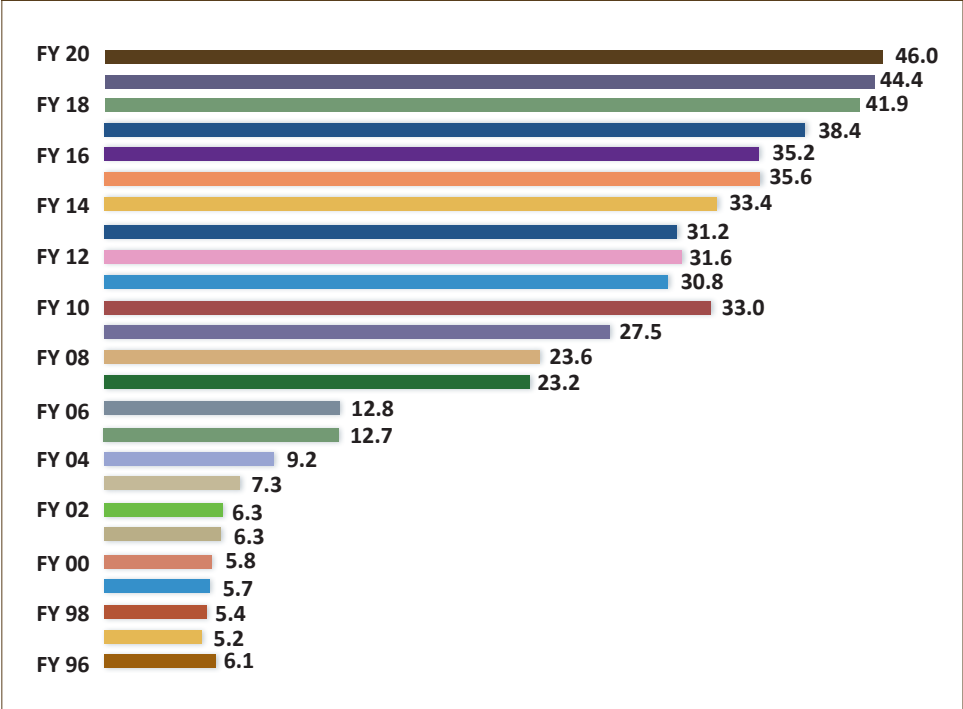


COMMITMENT TO DIVERSITY

Since the 1990s, CTPF has been at the forefront of pension and retirement systems throughout the United States, ensuring that minorities, women, and persons with disabilities (MWDBE) have access to the many opportunities to conduct business with CTPF. The CTPF Board of Trustees supports policies which encourage diversity and equality among our employees, vendors, and investment professionals. CTPF invested \$4.9 billion, approximately 46% of total fund assets, with MWDBE firms in Fiscal Year 2020.

CTPF has seen dramatic growth in MWDBE investments since the early 1990s when commitment to diversity within its portfolio was first formalized. Annually since 2007, the Fund has exceeded the goal of investing 20% of Fund assets with MWDBE firms.

TOTAL MWDBE INVESTMENT % GROWTH SINCE 1996



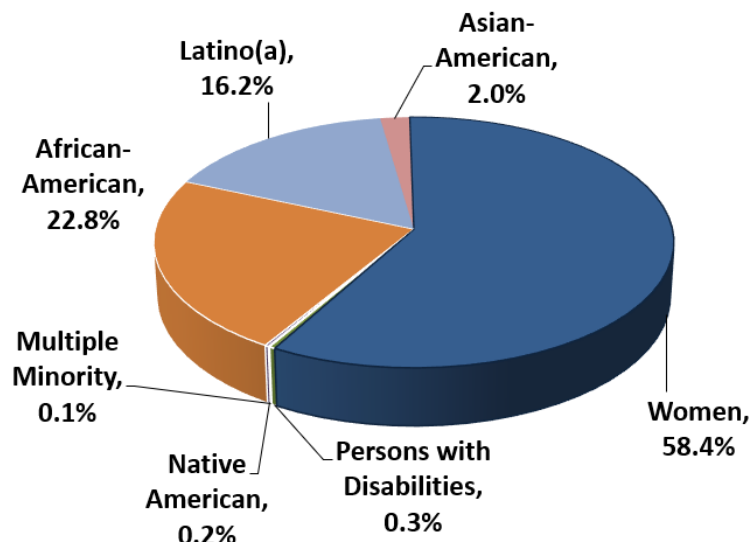
* Learn more about our commitment to diversity by reading our 2020 Diversity Report, available at ctpf.org.



TOTAL FUND BREAKDOWN BY MWDBE STATUS*

A breakdown of assets by classification as of June 30, 2020, includes:

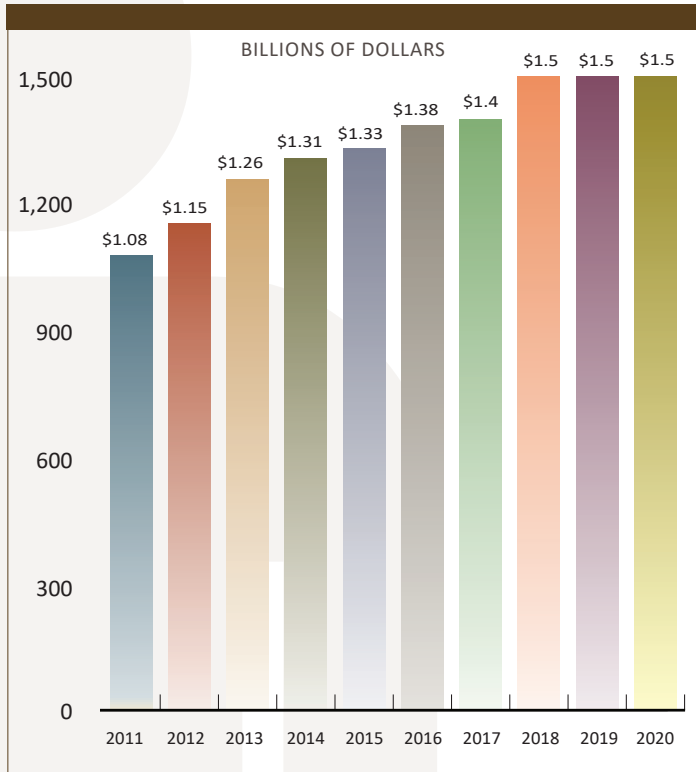
- \$2.87B managed by Women-owned firms
- \$1.12B managed by African-American owned firms
- \$794.5M managed by Latino(a)-owned firms
- \$99.1M managed by Asian-American owned firms
- \$16.4M managed by Persons with Disabilities-owned firms
- \$10.1M was managed by Native American firms
- \$4.3M managed by Multiple Minority-owned firms



MEMBER DEMOGRAPHICS

CTPF membership totals 89,390 members. The total includes 30,091 active contributing members, 10,024 vested, inactive members entitled to an annuity, 21,260 inactive, non-vested members, and 28,015 annuitants. During Fiscal Year 2020, CTPF paid more than \$100 million per month in pension and health insurance benefits, totaling \$1.5 billion annually.

PENSION BENEFITS PAID*



NUMBER OF RETIREES & BENEFICIARIES & AVERAGE PENSION

FISCAL YEAR	RETIREEES AND BENEFICIARIES	AVERAGE PENSION
2016	28,298	\$ 48,126
2017	28,439	49,368
2018	28,549	50,583
2019	28,317	51,878
2020	28,015	53,141

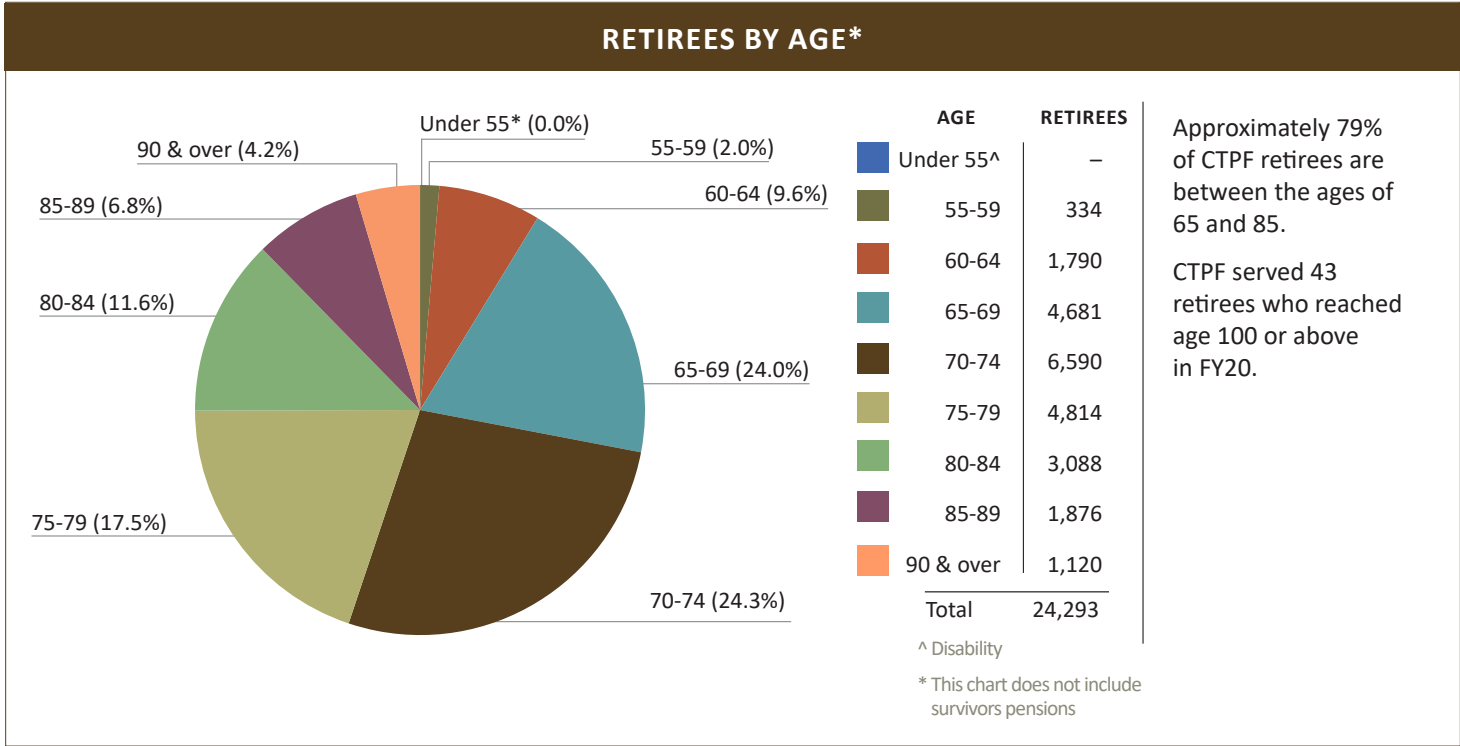
CTPF paid \$1.5 billion in pension benefits to annuitants in 2020. Pension benefit payments have increased 56% in the past 10 years, up from \$1.08 million in 2011.

* Benefit payments include pension benefits, refunds, and death benefits.

SUMMARY OF ACTIVE MEMBERSHIP

	JUNE 30, 2020	JUNE 30, 2019
Total Active Members	30,091	29,295
Average Age	42.5	42.3
Average Service	11.0	10.8
Average Annual Salary	\$ 74,756	\$ 4,383
Total Active Vested Participants	16,266	16,655
Male Members	7,087	6,903
Female Members	23,004	22,392
Tier 1 Members	18,118	18,632
Tier 2 Members	11,973	10,663

Retired CTPF members make an immeasurable impact as consumers, taxpayers, and contributors to the local communities. About 91% of all CTPF members including 83% of annuitants, live in Illinois. CTPF members spend their pension payments close to home, supporting their communities and continuing to shape Illinois and Chicago long after ending their service with the Chicago Public Schools.



REDEFINING RETIREMENT: MEET AUTHOR & MENTOR ROBIN HENRY

CTPF’s retired members continue to make an impact on their communities, enriching and building upon the work they began during their careers. CTPF highlights these contributions through its Redefining Retirement features which appear on social media and on the Fund’s website.

Robin Henry graduated from the University of Illinois at Urbana-Champaign with a degree in Rhetoric and Advertising, and joined CPS first as a high school English teacher and then as a curriculum coordinator. She retired on her birthday in 2018 and returned to Advertising the very next day.

From the very first day of retirement, she said “I embraced all of the gifts I have been given and wanted to share them with the world.” As a curriculum coordinator, she had to plan for what kids needed for college and countless students came to her for guidance. As a retiree, Robin connected with a friend who was the Co-Founder of The Black is Gold Organization not-for-profit peer-mentoring group for young Black women throughout the United States in high school, and college.

Robin serves as a college mentor, hosting a weekly class and a monthly seminar to help high school girls navigate the complex college planning and application process. She helps them identify their goals, evaluate their financial situation, and figure out what school is a good fit. She said, “working with Black is Gold is a perfect fit for me because the organization matches my philosophy and my values.”

As Robin continues her work with Black is Gold, she wrote an e-book, Options for College. The book provides a road map and encourages parents and students to be a team as they navigate the complex college process.

When Robin isn’t mentoring girls, she spends time with her family, or she may be found preparing or appearing on the pages of magazines as a hair model. She said, “Retirement is like hitting the jackpot. It is a time to do whatever you want to do instead of only what you need to do.”



Are you redefining retirement? Let us know by contacting communications@ctpf.org with your information and we may contact you for a feature.

CTPF FUNDING HISTORY

Established in 1895, the Chicago Teachers' Pension Fund has provided secure and stable retirements for teachers, administrators, and public school personnel, and has served as an economic engine for the City of Chicago and State of Illinois for more than 125 years.



Recent legislation corrected long-standing funding shortfalls. Illinois law specifies that funding for Chicago teachers' pensions shall be a combination of employer contributions, state appropriations, employee contributions, and earnings on investments (40 ILCS 5/17-127).

Prior to 1995, CTPF was funded through the City of Chicago tax levy. A funding crisis at the Chicago Public Schools in the mid-1990s fundamentally changed the structure of pension funding.

CPS administrators in need of operating revenue supported legislation, enacted in 1995, which allowed the school district to use money earmarked for pensions (the tax levy) for operating costs.

As a component of the 1995 agreement, the State agreed to formalize a long-standing practice of making an annual contribution to CTPF: "The General Assembly finds that for many years the State has contributed to the Fund an annual amount that is between 20% and 30% of the amount of the annual State contribution to the

Article 16 Teachers' Retirement System of the State of Illinois (TRS), and the General Assembly declares that it is its goal and intention to continue this level of contribution to the Fund in the future." (40 ILCS 5/17-127).

The State of Illinois did not appropriate funds consistent with its goal and intent. Instead, between 1995 and 2016, State funding for CTPF dropped to less than 1% of the funding provided to downstate/suburban teacher pensions (TRS).

During this same period, CTPF lost an additional \$3.2 billion in revenue from its employer, which used two pension funding "holidays" to help stabilize its own budget. These full or partial "holidays" from 1996 through 2005 and 2011 to 2013 deprived CTPF of critical revenue and the opportunity to benefit from additional investment returns. Lacking stable sources of revenue, CTPF liquidated assets and relied on investment earnings to pay pension obligations.

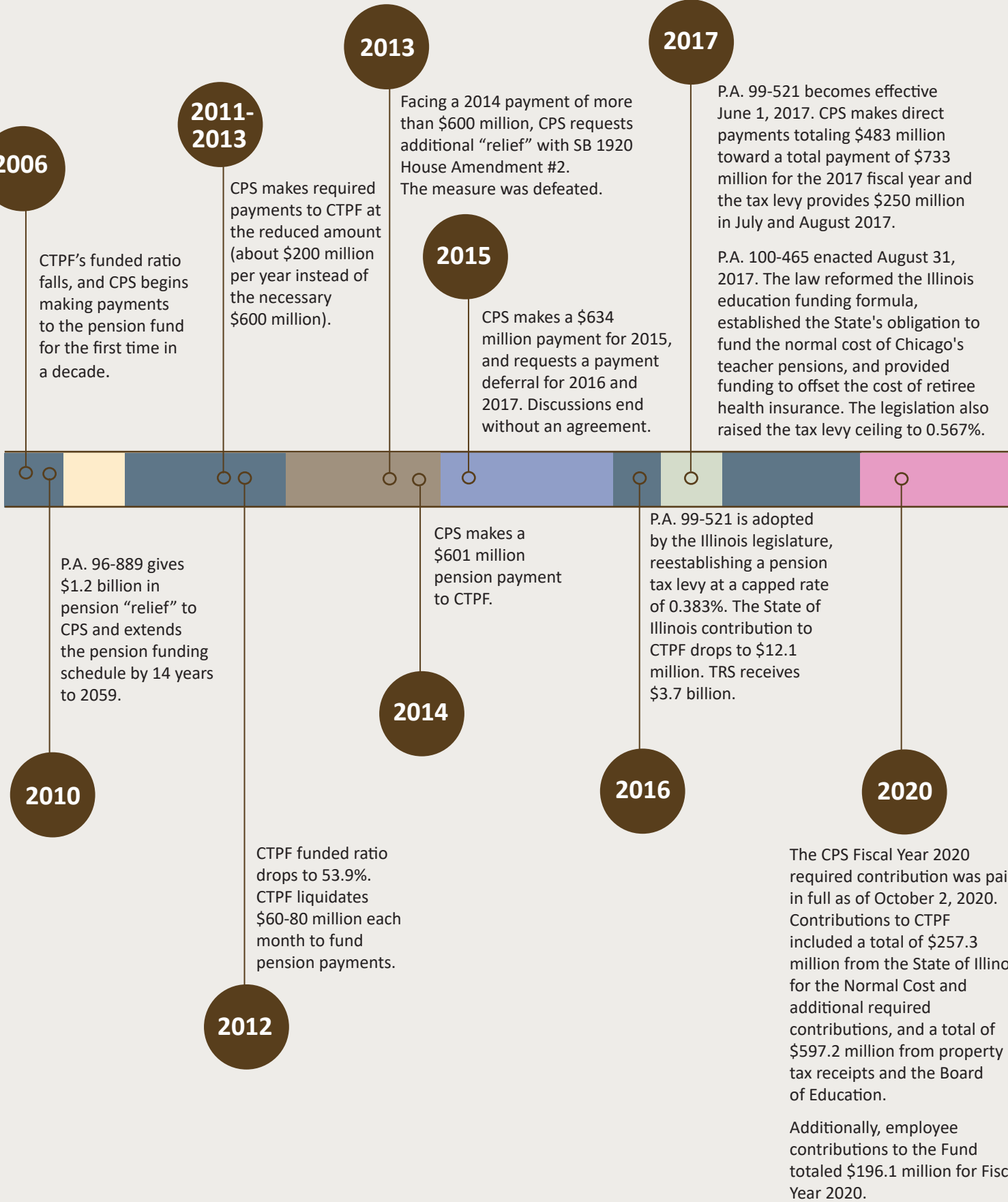
Decades of concern from CTPF members and a funded ratio dipping below 50% demonstrated the critical need for change. Improvements began when legislation signed in 2016 (Public Act 99-521) reestablished the CTPF tax levy. The levy, initially capped at 0.383% of Chicago's property value, sent revenue directly to CTPF. Collected for the first time in Fiscal Year 2017, the levy generated approximately \$250 million toward CPS's \$733 million contribution for Fiscal Year 2017.

Additional legislation signed on August 31, 2017, (Public Act 100-465), reformed the Illinois education funding formula, established the State's obligation to fund the normal cost of Chicago's teacher pensions, and provided funding to offset the cost of retiree health insurance. The 2017 legislation also increased the ceiling for the tax levy to 0.567%.

CTPF now has a solid path of diverse, stable, and equitable funding, ensuring that Chicago's educators can retire with dignity and security.



PENSION FUNDING THROUGH THE YEARS



CTPF BY THE NUMBERS

ESTABLISHED IN
1895



CTPF IS THE OLDEST PUBLIC
PENSION FUND IN ILLINOIS
& IS THE SECOND OLDEST IN
THE NATION



30,091

ACTIVE MEMBERS



28,015

ANNUITANTS



9% IS CONTRIBUTED BY
CTPF MEMBERS FOR THEIR
RETIREMENT PENSIONS

— **VS.** —

6.2% IS CONTRIBUTED
BY MOST AMERICANS FOR
SOCIAL SECURITY RETIREMENT



CTPF MADE
\$1.5 BILLION
IN PAYMENTS TO MEMBERS
IN 2020



MISSION

To provide, protect, and enhance the present and future economic well being of members, pensioners and beneficiaries through efficient and effective management of benefit programs, investment practices and customer service, and to commit to earning and keeping the respect and trust of the participants through quality service and by protecting retirement benefits, in compliance with applicable laws and standards.

TRUST • INTEGRITY • STABILITY

CTPF is a member-focused organization, and every year we strive to provide exceptional customer service.

Here is a snapshot of highlights from Fiscal Year 2020*



59,784

MEMBER CALLS &
INQUIRIES RECEIVED
& ANSWERED



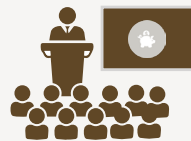
1,714

1:1 CONSULTATIONS
WITH MEMBERS



18,533

MEMBER EMAILS
RECEIVED & ANSWERED



775

MEMBERS SERVED
AT RETIREMENT SEMINARS/
WEBINARS



400+

MEMBERS ASSISTED DURING HEALTH
INSURANCE OPEN ENROLLMENT WEBINARS

30,091 ACTIVE MEMBERS

CONTRIBUTE TO CTPF

Active members include teachers, administrators, other certified individuals, and CTPF staff.

- 76% of active members are women.
- The averages for active members: age 42.5, 11.0 years of service, and annual salary of \$74,756 for 2020.
- Active members contribute 9% of their salary to the pension fund every pay period during employment.

ADDITIONAL MEMBERS

10,024 Inactive Vested Members

21,260 Inactive Non-Vested Members

28,015 BENEFICIARIES

RECEIVE CTPF PENSIONS

24,293 Retirees

3,262 Survivors

460 Disability

- CTPF members do not make contributions to Social Security during employment.
- CTPF paid out \$1.5 billion in pension benefits in 2020.
- The average annual benefit in 2020 was \$53,141.
- The average age for retirees was 75 in 2020.

HEALTH INSURANCE

- CTPF offers group health insurance coverage for members who must pay for health insurance when they retire.
- CTPF offers a subsidy to help pay for the cost of retiree health insurance. The subsidy was 50% in 2020.

FUNDED RATIO

- CTPF's funded ratio based on market value as of June 30, 2020, was 45.4%.

*Fiscal Year 2020 runs from July 1, 2019, to June 30, 2020.

BOARD OF TRUSTEES

As of May 1, 2021

Jeffery Blackwell
*President & Interim
Executive Director*
Jacquelyn Price Ward
Financial Secretary

Mary Sharon Reilly
Vice President
Lois Nelson
Recording Secretary

James Cavallero
Gervaise Clay

Miguel del Valle
Tina Padilla

Maria J. Rodriguez
Jerry Travlos

Dwayne Truss
Philip Weiss